

## Message Text

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ACTION EB-07

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TO SECSTATE WASHDC IMMEDIATE 6435

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STADIS////////////////////////////////////

FOL TEL RECD FROM FRANKFURT NOV 22, 1974 REPEATED YOU FOR ACTION:

QUOTE:

LIMITED OFFICIAL USE FRANKFURT 7649

STADIS

E.O. 11652: NA

TAGS: BCOM, BEXP

SUBJECT: TRADE CENTER CLOSING

1. SUMMARY. IN FRANKFURT, CLOSING OF TRADE CENTER  
WOULD BE GENERALLY REGARDED IN ECONOMIC, COMMERCIAL, AND  
POLITICAL CIRCLES AS EITHER REVERSAL OF OFT-REPEATED U.S.  
JUDGMENT ABOUT HIGH IMPORTANCE OF GERMANY MARKET, OR AS  
BASIC TACICAL ERROR. WE WOULD BE SUSPECTED OF  
ABANDONING PROJECT INTERDEPENDENCE FOR AUTARKY. FTC  
IS FOCAL POINT U.S. EXPORT EXPANSION PROGRAM IN GERMANY.  
THIS SEASON'S RECORD SO FAR IS EXCELLENT,  
DESPITE WORSENING ECONOMIC CONDITIONS. THEORY THAT  
DEVALUATION, ALONE, WILL SOLVE U.S. BALANCE OF PAYMENTS  
PROBLEMS HAS BEEN CONCLUSIVELY DISPROVEN. ENCOURAGING  
AMERICA BUSINESSMEN TO INCREASE EXPORTS TIS LABORIOUS  
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EDUCATIONAL PROCESS FOR WHICH FTC PARTICULARLY WELL

SUITED. FTC IS GOOD BUSINESS, WITH INCREMENTAL SALES GENERATED FAR EXCEEDING COSTS OF OPERATION. END SUMMARY.

2. TRADE CENTER IN FRANKFURT OPERATES ON GERMANY-WIDE BASIS AND THUS I DEFER TO EMBASSY FOR ASSESSMENT OF OVER-ALL POLITICAL AND ECONOMIC IMPACT OF CLOSING FRANKFURT TRADE CENTER.

3. LOSS OF INTEREST IN GERMAN MARKET OR MISTAKE OF JUDGMENT? INTERDEPENDENCE OR AUTARKY? FOR THE LOCAL FRANKFURT SCENE, HOWEVER, MY ASSESSMENT IS THAT LOCAL ECONOMIC, COMMERCIAL, AND POLITICAL CIRCLES WOULD GENERALLY CONCLUDE, IF WE WERE TO CLOSE THE FRANKFURT TRADE CENTER, THAT WE HAD EITHER TOTALLY CHANGED OUR VIEWS AS TO THE IMPORTANCE OF THE GERMAN MARKET OR THAT WE HAD MISJUDGED IMPORTANCE OF FTC IN PROMOTING U.S. EXPORTS. WE WOULD BE SUSPECTED OF ABANDONING OUR GOSPEL OF ECONOMIC INTERDEPENDENCE IN A VAIN EFFORT TO ACHIEVE AUTARKY. AT VERY LEAST GERMANS WOULD BE THOROUGHLY PUZZLED BY THIS MOVE, GIVEN OUR NOTABLE FAILURE THUS FAR TO BRING OUR BALANCE OF TRADE IN ORDER.

4. INCREASINGLY EFFECTIVE MANAGEMENT AND EXPORT PROMOTION TOOL. IN THE PAST FOUR YEARS DURING WHICH I HAVE OBSERVED OPERATION OF FTC, I HAVE BEEN IMPRESSED BY ITS STEADILY INCREASING EFFECTIVENESS AS A TOOL USED BY ALL ECON/COMMERCIAL OFFICERS IN GERMANY, AND AS MANAGEMENT DEVICE IN ACHIEVING EVER GREATER OUTPUT FROM THESE ECON/COMMERCIAL OFFICERS IN GERMANY. WE HAVE A COMBINED ECON/COMMERCIAL/TRADE CENTER STAFF OF EIGHT U.S. OFFICERS IN FRANKFURT. WHILE WE LOST THREE KEY OFFICERS EARLY THIS SUMMER, THE NEW TEAM IS NOW IN PLACE AND IS OBVIOUSLY READY AND ABLE TO CARRY ON THE TRADITION OF EVEN GREATER PRODUCTION. VAST NUMBER OF HOURS HAVE BEEN DEVOTED ON GERMANY-WIDE BASIS TO GEARING OUR ENTIRE EXPORT PROMOTION PROGRAM IN GERMANY TO FTC, AND UTILIZATION OF FTC IS BEING INCREASED AND FINE-TUNED TO A DEGREE THAT EXCEEDS MY FONDEST LIMITED OFFICIAL USE

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EXPECTATIONS.

5. THIS SEASON'S RECORD EXCELLENT SO FAR. DESPITE WORSENING ECONOMIC CONDITIONS IN U.S., GERMANY, AND WORLD-WIDE, FTC RECORD SO FAR THIS SEASON IS REMARKABLE. OFF-FLOOR SALES, PROJECTED SALES, AND AGENCY AGREEMENTS FOR FIRST TWO SHOWS AS FOLLOWS:

## AGENCIES

OFF-FLOOR PROJECTED AGENTS UNDER NEGOTIATION  
 NAME OF SHOW SLAES SLAES(12 MOS.) APPOINTED

## BIO-MEDICAL

EQUIPMENT \$164,460 \$44,785,000 10 57  
 AUTOMECHANIKA 379,177 22,399,500 13 137

THE NEXT SHOW, MINI-COMPUTERS, BEGINS DECEMBER 3 AND FTC WILL BE FULL TO RAFTERS WITH FIFTY-ONE EXHIBITION BOOTHS. WITH MASSIVE PROMOTION CAMPAIGN NOW IN GEAR, WE EXPECT THIS SHOW TO BE BEST SELLER THIS FALL WITH MILLIONS OF DOLLARS IN INCREMENTAL SALES. FTC HAS ALSO BEEN PUSHING HARD ON GREATER UTILIZATION OF SPACE FOR BETWEEN-SHOW PROMOTIONS, WHICH ARE IN FACT INCREASING. THIS FALL THERE HAVE BEEN 176 ARTICLES IN LOCAL PRESS (63 IN TRADE JOURNALS, 113 IN DAILIES), MOSTLY WITH

PICTURES, AS WELL AS LIVE TV COVERAGE REACHING ESTIMATED 18 MILLION VIEWERS; FTC ACTIVITY IS NOTICED LOCALLY.

6. DEVALUATION WILL NOT DO IT ALONE; DIRECT CONTACT EXPORTERS ESSENTIAL. DURING THE PAST THREE YEARS I HAVE HAD THE PLEASURE OF TALKING WITH ALMOST ALL, IF NOT ALL, OF THE MANY SPECIAL INVESTIGATIVE TEAMS (INCLUDING OMB) WHICH HAVE BEEN TOURING THE WORLD LOOKING AT OUR EXPORT PROMOTION PROGRAM. I HAVE HEARD THE ARGUMENTS THAT OUR EFFORTS TO ENCOURAGE U.S. BUSINESSMEN TO ENTER THE EXPORT BUSINESS ARE POINTLESS UNLESS THE PRICE IS RIGHT, AND IF THE PRICE IS RIGHT OUR EFFORTS ARE UNNECESSARY. THUS, AS I UNDERSTOOD IT, WITH ALL VERBIAGE REMOVED, ALL WE NEEDED WAS A SIGNIFICANT DEVALUATION OF THE U.S. DOLLAR, TO MAKE LIMITED OFFICIAL USE

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OUR U.S. EXPORT PRICES MORE COMPETITIVE. AN IMPROVEMENT IN OUR BALANCE OF TRADE WOULD THEN FOLLOW ALMOST AUTOMATICALLY. WE TRIED THIS IN 1972 AND FOR THE NEXT FEW MONTHS WE HEARD ABOUT THE IMMEDIATE PERVERSE EFFECTS OF DEVALUATION, WHICH PUSHED UP THE COSTS OF IMPORTING THE SAME AMOUNT OF GOODS, WHILE EARNING LESS FOR EXPORTING THE SAME AMOUNT OF GOODS, BUT THIS IT WAS SAID, WOULD ADJUST AND REVERSE ITSELF IN THE LONGER RUN AS WE STOPPED IMPORTING THE MORE EXPENSIVE FOREIGN GOODS, AND AS THE FOREIGNERS INCREASINGLY PURCHASED LESS EXPENSIVE U.S. GOODS. THE LONGER RUN HAS LONG SINCE ARRIVED AND THE ADJUSTMENT/REVERSAL HAS DEFINITELY NOT LIVED UP TO EXPECTATIONS. THE QUOTE AUTOMATIC UNQUOTE EFFECT OF DEVALUATION IN CORRECTING OUR BALANCE OF PAYMENTS DEFICIT HAS NOT OCCURRED, AND I THINK WE MUST

RECOGNIZE THAT IF WE WANT TO IMPROVE OUR BALANCE OF TRADE, WE MUST CONTINUE TO USE OTHER TECHNIQUES AS WELL IN PERSUADING U.S. EXPORTERS, OR POTENTIAL U.S. EXPORTERS, TO TAKE FULLER ADVANTAGE OF FOREIGN MARKETS. (I BELIEVE GERMANY IS THE THIRD LARGEST, AFTER CANADA AND JAPA ). THE VIEWS EXPRESSED IN THIS PARAGRAPH REFLECT NOT ONLY MY OWN VIEW BUT ALSO MANY DISCUSSIONS I HAVE HAD WITH LOCAL COMMERCIAL AND ECONOMIC LEADERS OVER THE PAST FEW YEARS IN FRANKFURT.

7. FTC VERY WELL SUITED FOR THIS TASK.

IN GERMANY FTC IS THE BACKBONE OF OUR EXPORT PROMOTION PROGRAM. WE KNOW FROM LONG EXPERIENCE THAT AMERICAN BUSINESSMEN ARE AT BEST LEERY ABOUT GETTING INTO FOREIGN MARKETS, AND I KNOW FROM PERSONAL EXPERIENCE HERE IN FRANKFURT THAT THE FTC HAS PLAYED AN IMPORTANT ROLE IN CONVINCING NEW-TO-EXPORT, NEW-TO-MARKET COMPANIES, THAT THERE ARE PLENTY OF ATTRACTIVE OPPORTUNITIES IN GERMAN MARKET, WITH THE FTC PROVIDING AN EFFECTIVE LAUNCHING PLATFORM FOR THESE NTM, TNE AMERICAN COMPANIES. I HAVE WORKED WITH AMERICAN BUSINESSMEN FOR OVER TEN YEARS AS AN ECON/ COMMERCIAL OFFICER SEEKING TO ENCOURAGE INCREASED AMERICAN EXPORTS TO SOUTH ASIA, THE MIDDLE EAST, AND FAR EAST, AND OUR EFFORTS IN THOSE AREAS, GOOD AS I LIMITED OFFICIAL USE

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THINK THEY WERE, DO NOT COMPARE WITH THE HIGHLY PROFESSIONAL PERSONNEL AND FACILITIES WHICH ARE BEING MADE AVAILABLE TO AMERICAN BUSINESSMEN IN GERMANY AT FTC WITH RESULTS NOTED PARA. 4 ABOVE.

8. FTC IS GOOD BUSINESS.

CONCLUSION SEEMS TO ME TO BE INESCAPABLE THAT FTC IS GOOD BUSINESS. INCREMENTAL SALES GENERATED ARE SO FAR IN EXCESS OF FTC COST OF OPERATION, THAT FTC ANNUAL BUDGET (ABOUT HALF A MILLION) IS INCONSEQUENTIAL PERCENTAGE OF SALES TOTAL (SURELY MUCH LESS THAN ONE-HALF OF ONE PERCENT).HARTT

UNQUOTE. HILLENBRAND

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## Message Attributes

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